

Schedule of Federal Audit Findings and Questioned Costs

Sunnyside School District No. 201 Yakima County September 1, 2008 through August 31, 2009

- 1. Sunnyside School District No. 201's internal controls are inadequate to ensure compliance with federal procurement and suspension and debarment requirements.**

CFDA Number and Title:	10.553 School Breakfast Program 10.555 National School Lunch program
Federal Grantor Name:	U.S. Department of Agriculture
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of the Superintendent of Public Institution
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

During fiscal year 2009, the District received \$2,574,006 in federal funding from its child nutrition programs. Of this, approximately \$1,209,752 was spent to purchase food.

When purchasing goods and services with federal funds, local governments must follow state laws and the federal Circular A-102 Common Rule. State law requires school districts to obtain quotes for supplies and materials for purchases that exceed \$40,000 and competitively bid supplies and materials for purchases that exceed \$75,000.

Recipients of federal grants are prohibited from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. If a vendor certifies in writing it has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the federal Excluded Parties List System issued by the U.S. General Services Administration. This requirement should be met prior to the first payment to the vendor.

Description of Condition

The District is a member of a regional co-op and obtains a portion of its food service through the cooperative's contract. The District was unable to provide an inter-local agreement for the co-op and documentation to show it met procurement requirements. In addition, the District could not show the co-op had verified suspension and debarment status for this vendor.

The District had no documentation to show it met competitive procurement or suspension and debarment requirements for two additional food service vendors. The District paid these two vendors a total of \$249,349.

Cause of Condition

The prior Food Services Director retired and a new Food Services Director was hired in June 2008. Documentation on when the procurement and suspension and debarment activity took place could not be located.

Effect of Condition

The District cannot ensure it obtained the best services for the most competitive price and it paid vendors that were eligible to participate in the federal program. Payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.

Recommendation

We recommend the District establish and follow internal controls and maintain documentation to ensure compliance with federal procurement and suspension and debarment requirements.

District's Response

The District concurs with the finding.

Auditor's Remarks

We appreciate the District's commitment to resolving this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

Section .300

The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 7, Code of Federal Regulation, section 3016.36 – Procurement

. . . (b) Procurement standards. (1) Grantees and sub-grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . .

. . . 9) Grantees and sub-grantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price . . .

. . . (c)(3) Grantees will have written selection procedures for procurement transactions . . .

. . . (4)(d) Methods of procurement to be followed -- (1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources

Revised Code of Washington 28A.335.190 – Advertising for bids, states in part

(2) Every purchase of furniture, equipment or supplies, except books, the cost of which is estimated to be in excess of forty thousand dollars, shall be on a competitive basis. The board of directors shall establish a procedure for securing telephone and/or written quotations for such purchases. Whenever the estimated cost is from forty thousand dollars up to seventy-five thousand dollars, the procedure shall require quotations from at least three different sources to be obtained in writing or by telephone, and recorded for public perusal. Whenever the estimated cost is in excess of seventy-five thousand dollars, the public bidding process provided in subsection (1) of this section shall be followed. . .

(5) The contract for the work or purchase shall be awarded to the lowest responsible bidder as defined in RCW 43.19.1911 but the board may by resolution reject any and all bids and make further calls for bids in the same manner as the original call. On any work or purchase the board shall provide bidding information to any qualified bidder or the bidder's agent, requesting it in person

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Schedule of Prior Federal Audit Findings

Sunnyside School District No. 201 Yakima County September 1, 2008 through August 31, 2009

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Sunnyside School District No. 201. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 9/1/2007-8/31/2008	Report Reference No: 1002136	Finding Reference No: 1	CFDA Number(s): 84.367
Federal Program Name and Granting Agency: Title II, Part A, Improving Teacher Quality U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: Sunnyside School District's internal controls are inadequate to ensure compliance with federal procurement requirements.			
Background: During fiscal year 2008, the District spent \$525,515 in money from the Title II, Improving Teacher Quality Program. Of this, approximately \$96,250 was spent on contracts for professional services. Grant recipients that purchase goods and services with federal funds must maintain purchasing records that document the reasoning behind the method of procurement, selection of contract type, contractor selection or rejection and contract price. For purchases not covered under state law such as professional services, grantees must follow procurement methods set forth in federal regulations. For purchases under \$100,000, quotes are to be obtained from an adequate number of qualified sources. Services may be solicited from only one vendor in certain situations, such as when the item is available from a single source or competition is determined to be inadequate. Documentation must be maintained to show how this conclusion is determined. We noted two instances in which the District did not have documentation to show it complied with federal procurement requirements. The District could not provide evidence that quotes were obtained prior to contracting for two professional service agreements for \$96,250 or that these vendors were the sole source of supply. This was also noted during the prior audit.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District is obtaining quotes before the contract is awarded and is checking for suspension and debarment before contracts are awarded, and is documenting reasons for claiming vendors as sole source.</i>			

Audit Period: 9/1/2007-8/31/2008	Report Reference No: 1002136	Finding Reference No: 2	CFDA Number(s): 84.010
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Federal Program Name and Granting Agency: Title I, Part A U.S. Department of Education	Pass-Through Agency Name: Office of Superintendent of Public Instruction
Finding Caption: Sunnyside School District did not have adequate internal controls to ensure the proper allocation of Title I funds to the appropriate schools or to the students with the greatest need.	
Background: <p>The District spent \$3,086,220 in Title I grant money in fiscal year 2008. Districts are required to distribute Title I money to eligible schools based on the percentage of low-income families residing in the schools attendance area.</p> <p>The District operated four elementary schools, two middle schools and a high school in fiscal year 2008. When determining its eligible attendance areas, the District properly used the number of children eligible for free and reduced-price lunches as a poverty measure. However, the District was unable to provide supporting documentation for these numbers.</p> <p>The District then ranked its attendance areas according to the number of residents at or below the federal poverty level. However, the District omitted one of its school-wide elementary schools from the allocation. We recalculated the building allocations using the October 1, 2007, free and reduced-price lunch numbers to estimate allocation for the elementary school of \$193,799. However, upon further review the District actually spent \$393,291 in Title I funds at this location. Also, in determining the private school allocation, the District incorrectly filled out the application. We estimated the private school allocation should not have exceeded \$10,633; the District allocated \$20,163. Total Title I payments for the private school were \$26,185, which is \$15,552 more than our estimate of what the private school should have received.</p> <p>The District operated a targeted assistance program at the high school. The District provided us with lists of students served as well as a rank order list of eligible students; we determined the District did not properly rank students in order of highest need and did not serve students based on their placement on the list.</p>	
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid	
Corrective Action Taken: <p>The District implemented a grant audit committee that reviews grant applications and its supporting documentation to ensure accuracy and compliance with the grant requirements. We note most of the items from the prior year audit have been resolved:</p> <ol style="list-style-type: none"> 1. The District omitted one of its school-wide elementary schools from the allocation. This is resolved. All schools that needed to be included were included. 2. The District incorrectly filled out the private school allocation. This is resolved. The application was filled out correctly. 3. The District did not properly rank students in order of highest need and did not serve students based on their placement on the list for the targeted assistance program at the high school. This is resolved. Students were properly ranked and served in order of highest need. 4. The District was unable to provide supporting documentation for the number of children 	

eligible for free and reduced –price lunches as a poverty measure. This is not resolved. The District was unable to locate supporting documentation that tied to the application.

Audit Period: 9/1/2007-8/31/2008	Report Reference No: 1002136	Finding Reference No: 3	CFDA Number(s): 84.010
Federal Program Name and Granting Agency: Title I, Part A U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: Sunnyside School District did not comply with teacher qualification requirements for its Title I, Part A grant.			
Background: The Title I program is designed to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. In fiscal year 2008, the District spent \$3,086,220 in Title I funding. The Title I grant requires that each teacher who works in a program supported with Title I, Part A funds meet specific qualifications. A teacher is considered highly qualified if he or she has earned at least a bachelor's degree, holds full state certification and can demonstrate subject matter knowledge and teaching skill in each core academic subject assigned to teach. All teachers paid through Title I were required to be highly qualified by August 31, 2007. During our audit, we found one teacher whose salary and benefits of \$46,671 was charged to the Title I grant that did not meet the highly qualified teacher requirements for fiscal year 2008.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: The grant coordinator obtains an annual listing of non-highly qualified staff from the personnel department to ensure they are not charged to federal programs. Principals and program directors review the monthly payroll register to ensure staff are charged to the appropriate grant.			